

FUNDAMENTAL ANALYSIS COURSE

FINANCIAL ANALYSIS



IDEAPRENEUR
NEPAL

TOOLS OF FUNDAMENTAL ANALYSIS

1. Annual report of the company

- All the information that you need for Fundamental Analysis is available in the annual report. You can download the annual report from the company's website for free

2. Access to News

www.nepalstock.com.np
www.sebon.gov.np
www.nrb.org.np
www.merolagani.com
www.nepsealpha.com
www.arthasarokar.com
www.bizpati.com
www.arthasansar.com



3. Industry related Data and Calculations

- This is not available for FREE. One stop Solution platforms for these are available From Rs 2500 - Rs 5000 per year.

1. Money Mitra
2. Share Sansar
3. Nepse Alpha (Sasto share)
4. Smart wealth Pro
5. System x Lite
6. Mero Lagani

FINANCIAL STATEMENT

- Financial statements are written records that tell about the business activities and the financial performance of a company.
- Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes.
- The three major financial statement reports are:
 1. Balance sheet
 2. Income statement
 3. Statement of cash flows.



1. BALANCE SHEET

- The balance sheet provides an overview of a company's assets, liabilities, and shareholders' equity as a snapshot in time. The date at the top of the balance sheet tells you when the snapshot was taken, which is generally the end of the reporting period.

A Simple Balance Sheet

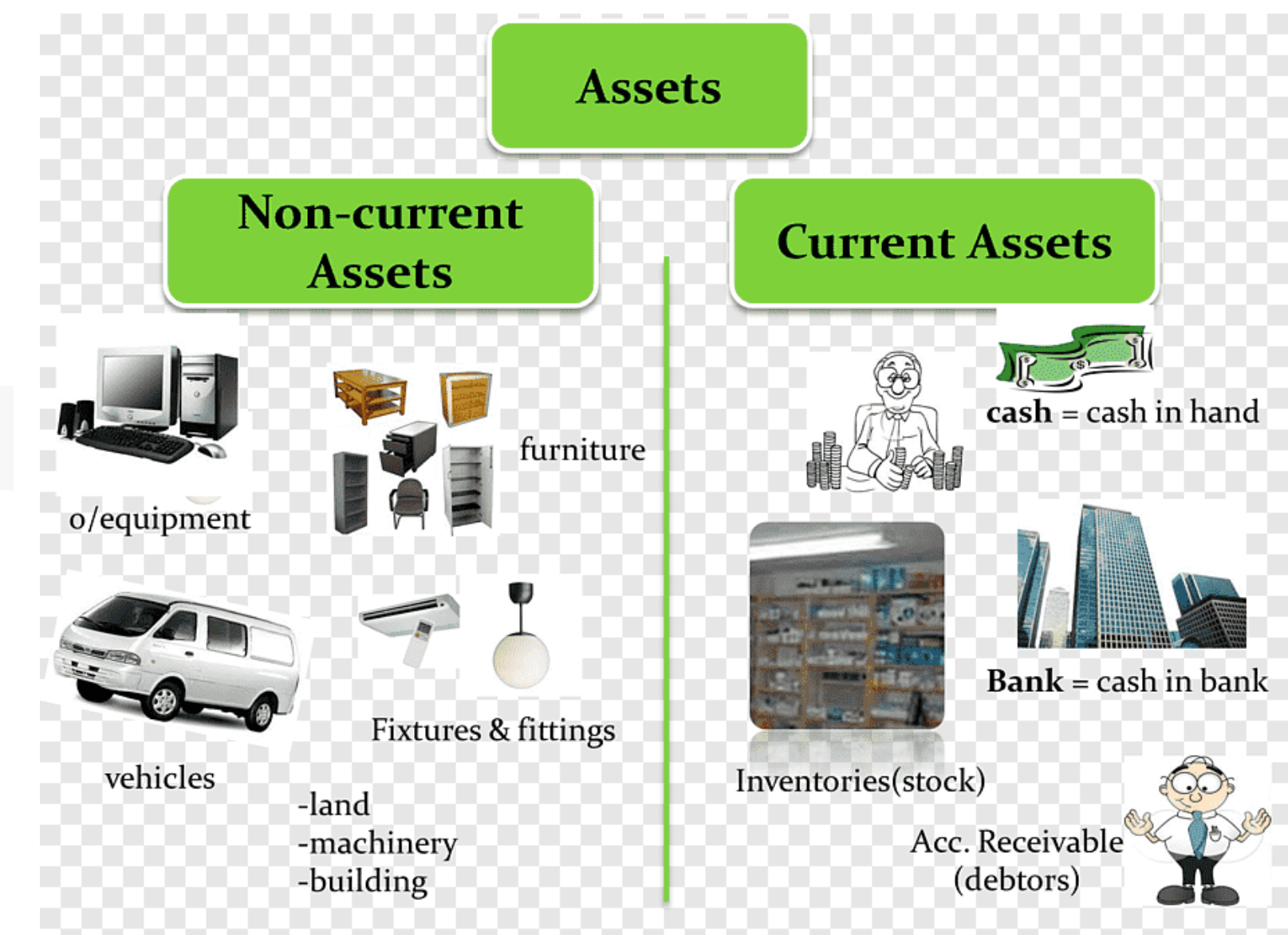
Total Assets Current Assets + Non-Current Assets	Total Liabilities Current Liabilities + Non-Current Liabilities Total Shareholders' Equity Share Capital + Retained Earnings
--	---

ASSET - ANYTHING THAT YOU OWN

An asset in financial terms refers to any resource owned or controlled by an individual, business, or entity with the expectation that it will provide future benefit. Assets are recorded on a company's balance sheet and can be either tangible or intangible.

1. Tangible Assets: These are physical assets that have a concrete or material existence. They include:

- **Current Assets:** These are assets that can be converted into cash within one fiscal year or one business cycle. They include cash, accounts receivable (money owed to the company by its customers), inventory, and other short-term assets.
- **Fixed Assets:** These are long-term tangible pieces of property or equipment a company owns and uses in its operations to generate income. Fixed assets are not expected to be consumed or converted into cash within a year. Examples include buildings, land, machinery, vehicles, and furniture.

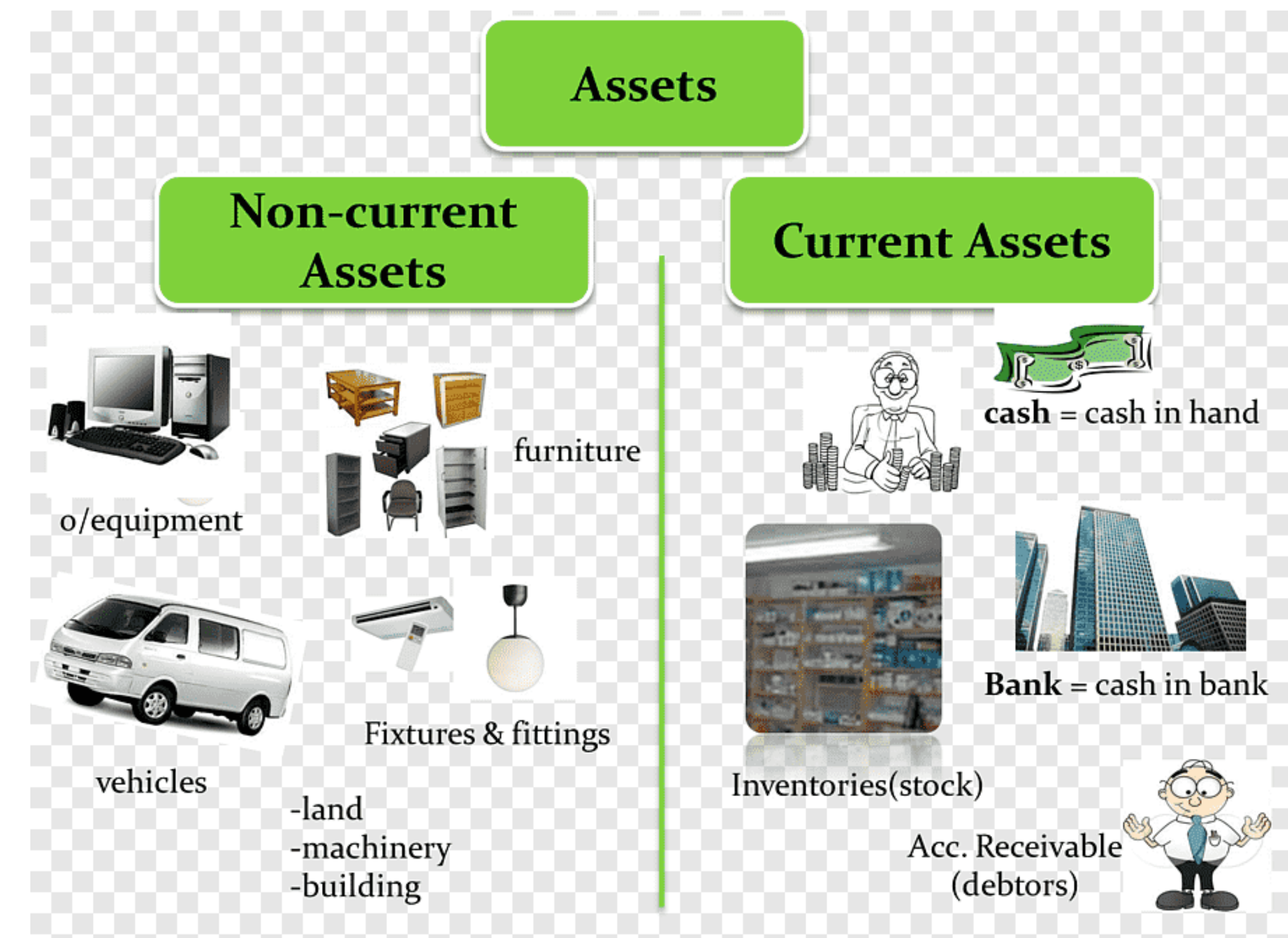


ASSET - ANYTHING THAT YOU OWN

2. Intangible Assets: These are non-physical assets that have value due to the rights and privileges granted to the company using them. They include:

- **Intellectual Property:** This includes patents, trademarks, and copyrights.
- **Goodwill:** This is an intangible asset that is associated with the purchase of one company by another. Specifically, goodwill is the portion of the purchase price that is higher than the sum of the net fair value of all of the assets purchased in the acquisition and the liabilities assumed in the process.

Assets are crucial in understanding a company's financial health because they provide an indication of the company's investment capacity, debt repayment ability, and overall financial stability.



LIABILITY - ANYTHING THAT YOU OWE

A liability, in financial terms, is something a person or company owes. It is a debt or financial obligation that must be fulfilled. Liabilities are recorded on a company's balance sheet and can include items such as:

1. **Accounts payable:** This represents the amount a company owes to its suppliers or vendors for goods and services it has received but not yet paid for.
2. **Short-term and long-term debt:** This could include bank loans, bonds issued by a company, or other forms of debt. Short-term debt is usually due within one year, while long-term debt is due after one year.
3. **Accrued expenses:** These are expenses that a company has incurred, but has not yet paid.
4. **Deferred revenue:** This is money received by a company for goods or services it has not yet provided. It's also known as unearned revenue.
5. **Provisions for liabilities and charges:** These are amounts set aside to cover anticipated future liabilities, such as lawsuits or major repairs.
6. **Employee wages payable:** This is the amount a company owes its employees for work done that has not yet been paid.



SHAREHOLDERS EQUITY



Shareholders' Equity

Shareholders' equity is a company's total assets minus its total liabilities.

Shareholders' equity (also known as stockholders' equity) represents the amount of money that would be returned to shareholders if all of the assets were liquidated and all of the company's debt was paid off.

Retained earnings are part of shareholders' equity and are the amount of net earnings that were not paid to shareholders as dividends.

INCOME STATEMENT

An income statement is a financial statement that reports the revenues and expenses of a company over a specific accounting period.

It shows whether a company has made a profit or loss during that period.

It is also known as the **profit and loss (P&L) statement**, where profit or loss is determined by subtracting all expenses from the **revenues** of a company.

An income statement shows how effective the strategies set by the management at the beginning of an accounting period are.

It also helps business owners determine whether they can generate high profit by increasing prices, decreasing costs, or both.

Revenue

-Cost of Goods Sold

Gross Profit

-Operating Expenses

Operating Profit

±Non-Operating Items (excluding interest and taxes)

Earnings Before Interest and Taxes

-Interest Expense

Earnings Before Tax

-Taxes

Net Profit

CASH FLOW STATEMENT

The Cash Flow Statement (CFS) measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments.

The CFS allows investors to understand how a company's operations are running, where its money is coming from, and how money is being spent. The CFS also provides insight as to whether a company is financially healthy.

It contains three sections that report cash flow for the various activities for which a company uses its cash.

Those three components of the CFS are:

Operating Activities

Investing Activities

Financing Activities

Cash Flow Statement	
<i>Revenue</i>	<i>1,000</i>
<i>Decrease in Debtors</i>	-
<i>Other Cash Receipts</i>	-
Cash Receipts	1,000
<i>Operating Expenditure</i>	-
<i>Increase in Creditors</i>	-
<i>Other Cash Payments</i>	-
Cash Payments	-
Interest on Cash	-
Interest Paid	-
Corporate Tax Paid	-
Other Operating Cash Flows	-
Operating Cash Flows	1,000
Capital Expenditure	-
Other Investing Cash Flows	-
Investing Cash Flows	-
Debt Drawdowns	-
Debt Repayments	-
Ordinary Equity Raisings	-
Ordinary Equity Buybacks	-
Dividends Paid	-
Other Financing Cash Flows	-
Financing Cash Flows	-
Change in Cash Held	1,000

CASH FLOW STATEMENT

Particulars	\$	\$
Cash sales		*****
Cash received from customers		*****

Less: Cash purchases	*****	
Cash paid to suppliers	*****	
Cash expenses (e.g., wages and salaries, rent, taxes, etc.)	*****	
Net Cash Flow from Operating Activities		*****

Operating Activities

The operating activities on the CFS include any sources and uses of cash from running the business and selling its products or services.

Cash from operations includes any changes made in cash accounts receivable, depreciation, inventory, and accounts payable. These transactions also include wages, income tax payments, interest payments, rent, and cash receipts from the sale of a product or service.

CASH FLOW STATEMENT

Cash Flow from Investing Activities

Particulars	₹	₹
Proceeds from disposal of Fixed Assets:		
Proceeds from Sale of Patents	2,10,000	
Proceeds from Sale of Plant	3,00,000	
Proceeds from Sale of Investments	1,00,000	
Add: Non-operating Incomes from Investments:		
Dividend Received from Shares	40,000	
Interest received on Debentures	5,000	
Rent on Land Received	50,000	7,05,000
Less: Purchase of Non-current Assets:		
Purchase of Plant	(6,50,000)	
Purchase of Investments	(3,00,000)	
Purchase of Goodwill	(1,60,000)	(11,10,000)
Net Cash Used in Investing Activities		(4,05,000)

Investing Activities

Investing activities include any sources and uses of cash from a company's investments in the long-term future of the company.

A purchase or sale of an asset, purchases of fixed assets such as property, plant, and equipment (PPE), loans made to vendors or received from customers, or any payments related to a merger or acquisition is included in this category. In short, changes in equipment, assets, or investments relate to cash from investing.

CASH FLOW STATEMENT

Cash Flow from Financing Activities

Particulars	Amount(₹)	Amount(₹)
Issue of Share Capital	4,00,000	
Less: Issue of Bonus Shares (out of Securities Premium Reserve)*	(1,00,000)	
Add: Securities Premium Reserve	45,000	3,45,000
Redemption of 10% Debentures		(3,00,000)
Increase in Cash Credit		50,000
Dividend Paid		(40,000)
Interest on Debentures Paid		(50,000)
Interest on Cash Credit Paid		(15,000)
Net Cash Used in Financing Activities		(10,000)

Financing Activities

Cash from financing activities includes the sources of cash from investors or banks, as well as the uses of cash paid to shareholders.

Financing activities include debt issuance, equity issuance, stock repurchases, loans, dividends paid, and repayments of debt.

३. प्रतिवेदनको मिति सम्म चालु वर्षको उपलब्धी र भविष्यको सम्बन्धमा संचालक समितिको धारणा :

क. आर्थिक वर्ष २०७०/७१ को प्रथम दुई महिनाको तुलनामा आर्थिक वर्ष २०७१/०७२ को बिक्री वितरणमा कमी देखा परेको तपसिलमा उल्लेखित विवरणले सावित गरेको छ ।

अवधि	आ.व. २०७०/७१	आ.व. २०७१/७२
श्रावण देखि भाद्र मसान्त सम्म	१,९९,०८,७९२।००	१,६४,७८,१९६।७५

ख. उत्पादन लागत र कम्पनीका अनावश्यक खर्चहरु कम गर्दै जानका लागि कम्पनीले विभिन्न उपायहरुको अवलम्बन गर्ने गरेको छ ।

ग. **Continuous Distillation** लाई निरन्तरता दिएकोले स्प्रिट उत्पादन गत वर्षको भन्दा यस वर्ष बढि भएको, उत्पादित स्प्रिटको गुणस्तर उच्च किसिमको प्राप्त भएको कारणले स्प्रिटको विक्री वितरण बढ्न गएकोछ । यस कार्यलाई आगामी वर्षमा पनि उच्च प्राथमिकतामा राखी कार्य गर्ने लक्ष्य लिएका छौ ।

घ. कम्पनीमा जडान भएको स्प्रिट प्लाण्ट, टर्वाइन, हस्क ब्वाईलर, ग्रेन हयाण्डलिङ्ग युनिट आदि साथै कम्पनीले जडान तथा संचालन गर्ने भनी कार्य गरि रहेको डि.डि.जि.यस. प्लाण्टको सम्बन्धमा आवश्यक सुधारका लागि विदेशी परामर्शदाताबाट प्राविधिक अध्ययन कार्य सम्पन्न गरेका छौ । यसबाट कम्पनीले दीर्घकालिन लाभको अपेक्षा राखेको छ ।

ङ. कम्पनीले उत्पादन गरेको ४० यु.पि. शक्तीको अफिसर्स च्वाईस ब्राण्डको मदिरा यस वर्षको अपाढ मसान्त देखि उत्पादन तथा विक्री वितरण बन्द गरी सो ब्राण्डको सट्टामा गोल्डेन ओक नामक मदिरा कारखानाबाट उत्पादन गरि विक्री वितरण गर्ने लक्ष्यका साथ कार्य अधि बढेको छ ।

च. कम्पनीले विदेशी कम्पनीसंग सम्झौता सम्पन्न गरि सम्बन्धित निकायबाट स्विकृत प्राप्त गरेको **Blenders Pride** नामक उच्च गुणस्तरको मदिराको उत्पादन तथा विक्री वितरण यसै आर्थिक वर्षमा शुरु गरेको छ । तसर्थ यसको विक्री वितरणको कार्यलाई अझ प्रभावकारी बनाउनका लागि विदेशी कम्पनीका प्रतिनिधिहरु र यस कम्पनी व्यवस्थापन बीच सहकार्य गरी यसलाई नेपाली बजारमा सफल ब्राण्डको रुपमा पहिचान गराउने लक्ष्य लिएका छौ ।

छ. कारखानामा काम गर्ने कामदार र कर्मचारीहरुको कार्य कुशलता र कार्यगत एकता कायम गर्नका लागि आवश्यकतानुसार तालिम, सेमिनार, भेला, वनभोज जस्ता कार्यक्रम गर्दै आएका छौ ।

2071/72

(ङ) कम्पनीले उत्पादन गरेको ४० यु.पि.शक्तीको गोल्डेन ओक नामक मदिरा उपभोक्ताले अत्यधिक रुचाएको महसुस कम्पनीले गरेकाले भविष्यमा यसबाट सकारात्मक प्रतिफलको आशा लिएका छौ ।

2072/73

2074/75

३. प्रतिवेदनको मिति सम्म चालु वर्षको उपलब्धी र भविष्यको सम्बन्धमा संचालक समितिको धारणा :

(क) आर्थिक बर्ष २०७३/७४ को प्रथम तीन महिनाको तुलनामा आर्थिक बर्ष २०७४/७५ को बिक्रि वितरणमा बृद्धी भएको छ । जस सम्बन्धि बिवरण तपसिलमा उल्लेखित छ ।

महिना	आ.ब. २०७३/७४	आ.ब. २०७४/७५
श्रावण देखि आश्विन मसान्त सम्म	रु.२२,०५,६३,४७१।००	३४,८९,२१,८५९।००

कम्पनीले उत्पादन गरेको गोल्डन ओक नामक ब्राण्डको मदिराको माग र विक्री बृद्धि हुन गएकोले गत वर्ष भन्दा यस वर्षको प्रथम तीन महिनामा कम्पनीको कारोवारमा बृद्धि भएको छ ।

Understanding Sectorwise Revenue and Expense Sources for Comprehensive Business Model and Income Statement Analysis				
S.N	Sector	Key Income Sources	Key Expense Sources	Companies
1	BFI	Interest income+ fees and commission+ Other operating income	Interest paid+ operational expenses	Banks, Finance, Micro Finance
2	Insurance	Gross Earned Premiums+ Fees And Commission Income + Investment Income	Gross Benefits and Claims Paid	Life, Non Life Insurance
3	Hydropower	Revenue from Sale Of Electricity	Cost of production, operating expenses	Hydro
4	Manufacturing	Sales of Produced goods and services	Cost of production including Raw materials, Administrative and operating Expenses	HDL, STC
5	Investment	Schemes Deposits, Investment Instruments	Administrative and operating Expenses	CIT, NRN, HIDCL
6	Hotel	Bookings of Services offered, Income from Room Sales, Banquets, Restaurants & Others	Administrative and operating Expenses, food and beverage expenses	SHL, OHL, TRH
7	Others	Others sector beyond mentioned above		NRIC, NTC